



HAWAII CREDIT UNION LEAGUE

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March 14, 2006

Chair and Members of the City Council
Honolulu Hale
Honolulu, Hawaii 96813-3077

Chair Dela Cruz and councilmembers:

Bill 18 (2006) *Relating to the Deferral of Real Property Taxes*

The Hawaii Credit Union League, the local trade association representing 64 Oahu credit unions, submits the following comments on the innovative approach proposed by Bill 18 (2006) as a means of providing qualifying residential real property owners with a measure of relief. Along with many others in our community, we support the intent of proposals to provide real property tax relief to senior citizens who already have been granted a multiple home exemption for property under Section 8-10.4(e), *ROH*.

The first concern is that proposed Section 8-____.5 appears to require the holder of the mortgage or purchase contract to cosign the application for deferral. The application may result in giving the City & County a paramount lien for an amount that may exceed an applicant's equity in their residence after a lender has already made a mortgage secured by the residential property. Holders of the mortgage may be out-of-state institutional investors who acquired the mortgage on the secondary market and the requirement to cosign the RPT tax deferral application could adversely affect what they are willing to pay for mortgages subject to this requirement. It may also be difficult for seniors to obtain the required cosignature from an out-of-state mortgage holder.

The second concern is the fair market value of a residence as determined from the records of the county assessor are likely to fluctuate. Clearly, the fluctuation in assessment can be truly significant. If assessments decrease more rapidly than underlying liens are paid down, the City & County will likely end up with a paramount lien that directly reduces the collateral value of the property to the mortgage holder. This may also adversely affect the amount the secondary market is willing to pay for mortgages secured by property subject to this proposal, and reduce the amount of money for, and lenders' willingness to make, these types of mortgages.

We respectfully ask that **no action** be taken on this proposal, and others that may affect mortgages for residences owned by qualifying seniors, **until** there is more consideration of how the proposals may affect the availability and pricing of mortgages.

Sincerely,

Mike Leach
Legislative Officer

Misc. Com. No. 0613